

NYANDENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2007

NYANDENI LOCAL MUNICIPALITY

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GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor : T. Sokanyile	<i>Chair of the Executive Committee</i>
Councillor : P. Godongwana	<i>Chair of the waste Management Committee</i>
Councillor : N R Fodo	<i>Chair of the Special Programmes Unit in the Mayor's office</i>
Councillor : M. Mtobela	<i>Chair of the Human Resources Committee</i>
Councillor : W. Mbiko	<i>Chair of the Technical and Infrastructure Committee</i>
Councillor : S. Qaqa	<i>Chair of the Local Economic Development Committee</i>
Councillor : N. Ngqongwa	<i>Chair of the Disaster Management Committee</i>
Councillor : F. Mgedane	<i>Chair of the Finance Committee</i>
Councillor : L. Mziba	<i>Chair of the Social Needs Committee</i>
Councillor : W. Ngaveli	<i>Chair of the Planning Committee</i>

LEVEL OF THE LOCAL AUTHORITY

Low capacity Municipality in terms of Annexure A of Circular 18 issued in terms of the MFMA

AUDITORS

Auditor - General

BANKERS

Standard Bank

REGISTERED OFFICE

<i>B. Nomandela Drive</i>	<i>Private Bag X504</i>	<i>Telephone : 047-555 5000</i>
<i>Libode</i>	<i>Libode</i>	<i>Fax: 047-555 0202</i>
<i>5160</i>	<i>5160</i>	

MUNICIPAL MANAGER

H.T. Hlazo

CHIEF FINANCIAL OFFICER

M.A. Mandla

MEMBERS OF THE NYANDENI LOCAL MUNICIPALITY

COUNCILLOR/ALDERMAN

MAYOR :	T. Sokanyile
SPEAKER :	M.J. Sidelo
CHIEF WHIP:	A.A. Vava
Party Representative	F. Mgwedane
Party Representative	M. Dambuza
Party Representative	T. Thunzi
Party Representative	N. Matanda
Party Representative	N.R. Fodo
Party Representative	L. Mziba
Party Representative	M. Makongwana
Party Representative	M. Magxala
Party Representative	N. Thiyeka
Party Representative	N. Tshotsho
Party Representative	C.T. Ngcwabe
Party Representative	N. Bango
Party Representative	F. Gaxeni
Party Representative	Z. Mevana
Party Representative	Z. Hibane
Party Representative	S.W. Matola
Party Representative	Z.W. Mamve
Party Representative	M.S. Qaqa
Party Representative	K. Tatani
Party Representative	P. Ndamase
Party Representative	S. Betele
Party Representative	N. Ngqongwa
Party Representative	K. Nolangeni
Ward 1:	W. Ngaveli
Ward 2:	M.Q.H. Lumko
Ward 3:	B.V. Ndamase
Ward 4:	T. Nompetshehi
Ward 5:	P. Madwantsi
Ward 6:	M.R. Mtobela
Ward 7:	P. Godongwana
Ward 8:	S. Mbiyozo
Ward 9:	N.L.Somtsewu
Ward 10:	P. Pete
Ward 11:	P. Matinise
Ward 12:	J. Mabuya
Ward 13:	L. Madzidzela
Ward 14:	M.L. Mncela
Ward 15:	P.N. Ntshoyi
Ward 16:	N. Maqholo
Ward 17:	N.N. Mbiko
Ward 18:	X.H. Dlani
Ward 19:	M.Z.Nomandela
Ward 20:	L.Mpongo
Ward 21:	N. Mahlangu
Ward 22:	M. Qoyo
Ward 23:	M. Mnkwantini
Ward 24:	N.V. Mbube
Ward 25:	R.N. Dlutu
Ward 26:	N.N. Devete

MEMBERS OF THE NYANDENI LOCAL MUNICIPALITY

APPROVAL OF THE FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 7 to 23, in terms of Section 126(1) of the Municipal Finance Management Act, Act No. 56 of 2003 and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 16 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

MUNICIPAL MANAGER

H.T. Hlazo

31 August 2007

DATE

CHIEF FINANCIAL OFFICER

M.A. Mandla

31 August 2007

DATE

FOREWORD

It is again a great honour and privilege to write this foreword on behalf of the people of Nyandeni Local Municipality.

As a committed peoples' municipality we are proud to report on the utilisation of the scarce financial resources entrusted to the Nyandeni Local Municipality.

In my foreword for 2005/06 financial year, I elevated service delivery as the key challenge for 2006/07, specifically within the historical context of past reported human resource capacity constraints. During the current financial year we have progressively dealt with this challenge, and as a direct result the staff establishment has increased by a headcount of 29 to address key service delivery constraints.

The revenue generation capacity of the municipality remains a high priority challenge, and we are still committed to direct considerable effort towards this. Key interventions are currently in progress, and we are confident that some of the benefits will accrue to the Municipality during 2007/08.

As a municipality, we will continue to focus on the day-to-day developmental challenges and are committed to find pragmatic and implementable solutions for these.

In conclusion, I would like to express my appreciation to the Executive Committee, the Council and the Municipal Manager, and his entire team for their support, commitment and hard work.

T. Sokanyile
**Mayor and Chairperson of the
Executive Committee**

31 August 2007

DATE

TREASURER'S REPORT

1) INTRODUCTION

Appropriate legislation was complied with in order to provide annual financial statements for the year ending 30 June 2007. To the best of my knowledge these financial statements fairly present the financial position of the Council as at the above mentioned date and the results of its operations for the year ended 30 June 2007.

The expenditure incurred during the financial year under review was within the approved budget, although it exceeded the income for the financial year under review, due to the population of the organogram, Nyandeni Local Municipality was still able to finance their capital projects, mainly through reserves accumulated in prior years.

2) OPERATING RESULTS

Details of the results per department, classification and object of expenditure are included in appendices D and E. The applicable statistics are shown in Appendix F. The overall operating results for the year ended 30 June 2007 are as follows:

INCOME	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual/ Budget %
Opening Surplus	64 168 931	43 306 237			
Operating Income for the Year	48 509 826	74 847 572	54.29	117 393 889	(36.24)
	112 678 757	118 153 809		117 393 889	
EXPENDITURE					
Operating Expenditure	69 464 261	86 163 057	24.04	115 725 896	(25.55)
Sundry Transfers	(91 741)	14 276 926			
Closing Surplus	43 306 237	17 713 825	(59.10)		
	112 678 757	118 153 809		115 725 896	

The increase in operating income of 54.93% is attributed to an increase of 45% in equitable share received from National Treasury. The increase in operating expenditure by 22.93% includes an substantial increase in salary and wages which was as a result of the approved organogram being populated.

2.1) RATE AND GENERAL SERVICES

	Actual 2006 R	Actual 2007 R	Variance 2006/2007 %	Budget 2007 R	Variance Actual/ Budget %
Income	48 509 826	74 847 572	54.29	117 393 889	(36.24)
Expenditure	69 464 261	86 163 057	24.04	115 725 896	(25.55)
(Deficit) / Surplus	(20 954 435)	(11 315 486)		1 667 993	
Surplus (Deficit) as % of Total Income	(43.20)%	(13.62)%		1.42%	

Actual income and expenditure for 2007 is higher than 2006 due to the continued growth in operations. The adjustment of Councillors allowances to the upper limits as prescribed by the Remuneration of Public Officer Bearers Act also had a material impact on the increase in expenditure.

TREASURER'S REPORT

3) CAPITAL EXPENDITURE AND FINANCING

CAPITAL EXPENDITURE	Actual 2006/2007		Budget 2006/2007	Actual 2005/2006
Rate and General Services	38 232 282		52 745 972	46 019 939
Subsidised services	531 577		1 000 000	100 946
Trading services	51 298		4 100 000	573 963
	38 815 157		57 845 972	46 694 848
FINANCING OF THE FIXED ASSETS				
Revolving Fund	-		-	-
Contributions from Operating Income	38 815 157		57 845 972	46 694 848
Grants and Subsidies	-		-	-
External Loans	-		-	-
	38 815 157		57 845 972	46 694 848

The reasons for the reduced spending on capital expenditure was due to a decrease in the purchase of fixed assets and an increase in project expenditure. A complete analysis of capital expenditure (budgeted and actual) per department, classification or service is included in Appendix C.

4) EXTERNAL LOANS, INVESTMENTS AND CASH

No external loans were taken up during the year under review.
Investments on hand amounted to R25,908,507 at 30 June 2007.

More information regarding investments is disclosed in note 7 to the annual financial statements.

5) FUNDS AND RESERVES

The funds and reserves have been accumulated over years and are all represented by investments. Funds were utilised to finance capital projects during the financial year under review. More information regarding funds and reserves is disclosed in Notes 1 to 3 to the annual financial statements and Appendix A.

6) POST BALANCE SHEET EVENTS

No events of a significant nature, favourable or unfavourable have come to my attention.

7) GENERAL

No other matters to report came to my attention.

8) EXPRESSION OF APPRECIATION

I am grateful to the Mayor, Councillors, the Municipal Manager and Heads of Departments for their support during the past year. A special word of thanks to the staff of the Budget and Treasury Department for their support and loyalty.

CHIEF FINANCIAL OFFICER
M.A. Mandla

31 August 2007
DATE

ACCOUNTING POLICIES

1) BASIS OF PRESENTATION

- 1.1 These Financial Statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Practice for Local Government Accounting and report on Published Annual Financial Statements (2nd edition January 1997)
- 1.2 The Financial Statements are prepared on the Historical Cost Basis, adjusted for fixed assets as more fully detailed in note 3. The Accounting Policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The Financial Statements are prepared on the accrual basis :
 - Income is accrued when collectable and measurable. Certain direct income is accrued when received, such as Traffic Fines and certain Licenses.
 - Expenditure is accrued in the year it is incurred.

2) FIXED ASSETS

- 2.1 *Fixed assets are stated :*
 - at historical cost; or
 - at valuation (based on market price at date of acquisition), where assets have been acquired by Grant or Donation while they are in existence and fit for use.

2.2 Depreciation

The balance shown against the heading " Loans Redeemed and Other Capital Receipts" in the notes to the Balance Sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. Through this "provision" assets are written down over their estimated useful life.

In the case of operating income the full cost of the acquired asset becomes a direct charge to the income statement. Loans are repaid within the estimated useful lives of assets acquired through such loans. The cost or value of such asset as financed is immediately credited to the "Loans Redeemed and other Capital Receipts" accounts.

- 2.3 All net proceeds from the sale of fixed assets are credited to the Revolving Fund.
- 2.4 Fixed Assets are financed from different sources, which include external loans, designated or general grant subsidy income, operating income and various accumulated council funds.

3) FUNDS AND RESERVES

3.1 Project Funds

Project funds are representative of external funding received and set aside for pre-identified individual projects or a pre-defined general nature of an intervention.

3.2 Reserves

Reserves are conditional grant subsidies granted to the Municipality for pre-specified purposes.

ACCOUNTING POLICIES

4) RETIREMENT BENEFITS

It is the policy of the council to provide retirement benefits for its personnel. Contributions to retirement benefits are charged against income as incurred.

5) ACCUMULATED SURPLUS

Accumulated surplus reflects the residual of revenue against the sum of operating expenditure, capital expenditure and appropriations.

6) INVESTMENTS

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred.

7) REVENUE

Revenue comprises of assessment rates and refuse income receivable for the year, sundry income and grant subsidy income.

Assessment Rates are levied at an approved annual rate on the value of land and buildings. Refuse is levied at an approved monthly flat rate. Sundry income is accounted for on a cash receipt basis.

Government and related grants are recognised as revenue on an accrual basis and in accordance with the funder's annual disbursement plan as they relate to the municipal statutory annual reporting period.

8) INVENTORY

Inventory is valued at the lower of cost, determined on the first in first out basis, and net realisable value. Inventory on hand is however, deemed as issued to service departments and the relevant cost is reflected as an expense to the affected department.

BALANCE SHEET AS AT 30 JUNE 2007

	Notes	2006/2007 R	2005/2006 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		12 452 887	20 998 504
Accumulated Funds	1	491 801	172 699
Reserves	3	11 961 086	20 825 805
(ACCUMULATED DEFICIT)/RETAINED INCOME	17	17 713 825	43 306 237
		30 166 712	64 304 741
TRUST FUNDS	2	275 045	1 222 838
		30 441 757	65 527 579
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	4	-	-
LONG-TERM DEBTORS	7	148 444	9 188 659
		148 444	9 188 659
NET CURRENT ASSETS/LIABILITIES		30 293 313	56 338 920
CURRENT ASSETS		38 097 166	59 628 559
Debtors	8	12 188 564	15 526 446
Cash		96	-
Bank	6	-	2 384 607
Short-term investments	5	25 908 506	41 717 506
CURRENT LIABILITIES		7 803 853	3 289 639
Provisions	9	1 296 139	1 648 448
Creditors	10	6 296 793	1 641 191
Bank Overdraft	6	210 921	-
		30 441 757	65 527 579

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

2005/2006 Actual Income	2005/2006 Actual Expenditure	2005/2006 Actual Surplus/ (Deficit)		2006/2007 Actual Income	2006/2007 Actual Expenditure	2006/2007 Actual Surplus/ (Deficit)	2006/2007 Budgeted Surplus/ (Deficit)
R	R	R		R	R	R	R
48 509 826	69 464 261	(20 954 435)	RATE AND GENERAL SERVICES	74 847 572	86 163 057	(11 315 486)	6 748 727
48 465 086	69 464 261	(20 999 175)	Community Services	74 804 791	86 163 057	(11 358 267)	6 824 727
-	-	-	Subsidised Services	-	-	-	(76 000)
44 740	-	44 740	Economic Services	42 781	-	42 781	-
48 509 826	69 464 261	(20 954 435)	TOTAL	74 847 572	86 163 057	(11 315 486)	6 748 727
		91 741	Appropriation for this Year			(14 276 926)	
		(20 862 694)	Net Surplus/(deficit) for the Year			(25 592 412)	
		64 168 931	Accumulated Surplus/(Deficit) beginning of the year			43 306 237	
		43 306 237	ACCUMULATED SURPLUS/ (DEFICIT) END OF THE YEAR			17 713 825	

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note/	2007	2006
		R	R
CASH RETAINED FROM OPERATING ACTIVITIES		20 410 727	25 010 052
Cash generated by operations	18	2 518 730	23 552 493
Investment income	19	1 210 604	-
(Increase)/decrease in working capital	20	16 681 393	1 457 559
		20 410 727	25 010 052
Less : External Interest Paid		-	-
Cash available from operations		20 410 727	25 010 052
 CASH UTILISED IN INVESTING ACTIVITIES		 (38 815 157)	 (46 694 848)
Investments in Fixed assets		(38 815 157)	(46 694 848)
NET CASH FLOW		(18 404 430)	(21 684 796)
 CASH EFFECTS OF FINANCE ACTIVITIES		 18 404 430	 21 684 796
Decrease/(increase) in cash on hand	21	2 595 432	8 494 674
Decrease/(increase) in cash investments	22	15 808 998	13 190 122
NET CASH UTILISED		18 404 430	21 684 796

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

1) Accumulated Funds

Revolving Fund
Employers Levy Fund

AMOUNT TO THE BALANCE SHEET

2006/2007

2005/2006

480 347	162 333
11 455	10 366
491 801	172 699

(Refer to appendix A for more detail on Accumulated Funds)

2) Trust Funds

Integrated Development Plan
TRC
Pilot Housing Fund

AMOUNT TO THE BALANCE SHEET

213 789	201 133
61 256	1 021 706
-	-
275 045	1 222 838

(Refer to appendix A for more detail on Trust Funds)

3) Reserves

CMIP
MSP
Free Basic Service
Capital Infrastructure

AMOUNT TO THE BALANCE SHEET

-	-
-	470 201
1 859 917	6 976 751
10 101 169	13 378 853
11 961 086	20 825 805

(Refer to appendix A for more detail on Reserves)

4) Fixed Assets

Fixed assets at the beginning of the year
Capital Expenditure during the year
Less : Assets written off, transferred or disposed of during the year

Total Fixed Assets

Less : Loans Redeemed and Other Capital Receipts

NET FIXED ASSETS

(Refer to Appendix C for more details)

116 696 273	70 092 455
40 392 584	46 694 848
(1 577 427)	(91 030)
155 511 430	116 696 273
(155 511 430)	(116 696 273)
-	-

5) Investments

Unlisted

Fixed Deposits

25 908 506	41 717 506
25 908 506	41 717 506

Short Term Investments

Development 388655305-403 STD
Nyandeni 388680237-001 STD
Tiered Rates 388680172-002 STD
Nyandeni 74074617034 FNB
32 Day 388655305 STD
Revolving Fund 388655305-002 STD
Stanlib 3 54781067
Stanlib 2 IPOO5728
Stanlib 1 IPOO5439
MSP 80878539
Project Account Sal & Operations 38868017200
32 Day Interest 72399019737

213 789	201 133
61 256	1 021 706
2 726	2 655
11 860 209	11 013 096
612 239	109 407
172 547	162 333
17 555	7 406 878
10 101 169	13 378 853
1 859 916	6 976 751
-	470 201
579	579
11 455	10 366

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

Ngqeleni Development Sect 21 62012828961
 PHP Account 080845622
 Eradication of Bucket System

AMOUNT TO THE BALANCE SHEET

2006/2007	2005/2006
474 515	474 515
-	1
520 552	489 032
25 908 506	41 717 506

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2006/2007	2005/2006
Management's Valuation of Unlisted investments	25 908 506	41 717 506
Average Rate of Return on Investments	6%	6%

Funds are invested according to Circular No C/46/1994 issued by the Provincial Administration Community Services Branch with approved Banking Institutions.

6) Bank Accounts

Current Account (Primary Bank Account)
Standard Bank
Account no. 080847978

(210 921)	2 384 607
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7) Long Term Debtors

Loans to :
KDC Trust
Vehicle Loans

Less : Short-term portion transferred to Current Assets

Vehicle Loans

-	9 188 659
148 444	231 419
148 444	9 420 078
-	231 419
-	231 419
148 444	9 188 659

AMOUNT TO THE BALANCE SHEET

8) Debtors

Consumer Debtors:

Rates

Refuse

Other Debtors:

VAT

Sundry

OR Tambo

Salary control

Short term portion of long term debt

Less : Provision for bad debts

4 307 445	3 547 071
80 557	43 954
11 147 599	12 056 049
-	15 567
-	534 395
752 962	-
-	231 419
16 288 564	16 428 455
(4 100 000)	(902 009)
12 188 564	15 526 446

9) Provisions

Audit Fees

Leave Gratuity

Other Provisions

-	200 000
1 296 139	546 439
-	902 009
1 296 139	1 648 448

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

		2006/2007	2005/2006
10) Creditors			
Trade Creditors		6 296 793	1 641 191
	AMOUNT TO THE BALANCE SHEET	6 296 793	1 641 191
11) Assessment Rates			
Assessment Rates	<div> Valuations as at 30 June 2002 70 826 614 </div>	<div> Actual Income 2007 1 101 088 </div>	<div> Actual Income 2006 1 063 546 </div>
<p>Valuations on land and improvements are performed every four years and the last general valuation came into effect in 2003. The basic rate was 2c per Rand on Land and Improvements. Rebates are applied according to Councils policy. Rebates amounting to R40 744 were granted during 2006/2007</p>			
12) Employee Related Costs			
Salaries and Wages		9 412 824	
Car Allowance		523 202	
Bonus		554 387	
Overtime		24 117	
Housing Subsidy/Allowance		228 215	
Any other type of benefit or allowance		449 526	
Contributions to UIF, Medical and Pension Funds		1 117 983	
		12 310 254	
Remuneration of the Municipal Manager			
Basic Salary		400 471	
Performance Bonuses		23 309	
Travelling Allowance		107 715	
13th Cheque		29 561	
Provident Fund		50 652	
Medical Aid (Employer Portion)		14 119	
Cellphone Allowance		16 250	
Subsistence Allowance		2 340	
Total Cost to Employer		644 418	
Remuneration of the Planning and Development Manager			
Basic Salary		313 687	
Performance Bonuses		7 879	
Travelling Allowance		64 586	
13th Cheque		24 950	
Housing Allowance		27 068	
Provident Fund		33 703	
Medical Aid (Employer Portion)		21 846	
Cellphone Allowance		12 000	
Subsistence Allowance		660	
Total Cost to Employer		506 378	

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2006/2007	2005/2006
Remuneration of the Corporate Services Manager		
Basic Salary	306 096	
Performance Bonuses	20 628	
Housing Allowance	24 000	
Travelling Allowance	84 279	
Subsistence Allowance	4 518	
Provident Fund	39 955	
Medical Aid (Employer Portion)	-	
Cellphone Allowance	15 612	
Total Cost to Employer	495 089	
Remuneration of the Technical Services Manager		
Basic Salary	312 296	
Performance Bonuses	1 518	
Housing Allowance	24 297	
Travelling Allowance	68 750	
13th Cheque	22 503	
Provident Fund	33 720	
Medical Aid (Employer Portion)	16 583	
Cellphone Allowance	13 112	
Subsistence Allowance	1 200	
Total Cost to Employer	493 979	
Remuneration of the Community Services Manager		
Basic Salary	304 174	
Performance Bonuses	4 654	
Housing Allowance	29 988	
Travelling Allowance	81 125	
13th Cheque	24 950	
Provident Fund	39 697	
Medical Aid (Employer Portion)	18 000	
Cellphone Allowance	15 612	
Subsistence Allowance	1 020	
Total Cost to Employer	519 220	
Remuneration of the Chief Financial Officer		
Basic Salary	353 752	
Performance Bonuses	4 000	
Housing Allowance	24 045	
Travelling Allowance	61 296	
13th Cheque	18 853	
Provident Fund	36 260	
Subsistence Allowance	600	
Medical Aid (Employer Portion)	58 665	
Cellphone Allowance	11 000	
Total Cost to Employer	568 472	
Remuneration of the Internal Audit Manager		
Basic Salary	90 151	
Performance Bonuses	-	
Housing Allowance	1 274	
Travelling Allowance	37 563	
13th Cheque	-	
Provident Fund	6 238	
Subsistence Allowance	540	
Medical Aid (Employer Portion)	7 513	
Cellphone Allowance	7 513	
Total Cost to Employer	150 792	

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

13) Councillor's Remuneration

2006/2007

2005/2006

Mayor's Allowance
Speaker's Allowance
Councillor's Allowance
Contributions to Medical and Pension Funds

329 322	234 203
194 911	-
9 020 566	3 009 238
63 875	(80 280)
9 608 674	3 163 161

Councillors Salaries, Allowances and benefits are within the prescribed upper limits.

14) Arrear Rates and Services Owed by Councillors

Cllr P. Godongwana
Cllr T. Thunzi
Cllr S. Qaqa
Cllr M. Sidelo
Cllr P Ndamase
Cllr M Makhongwana
Cllr A Vava

1 169
1 284
6 763
3 157
244
9 518
1 694
23 828

Arrear Rates and Services charges owed by Councillors outstanding for more than 90 days.

15) Auditor's Remuneration

Audit Fees

447 425	200 000
----------------	----------------

16) Finance Transactions

Total external interest earned or paid :

Interest earned
Interest paid

1 235 399	2 886 562
-	-
1 235 399	2 886 562

17) Appropriations

Appropriation account :

Accumulated surplus at the beginning of the year
Operating surplus for the year
Appropriations for the year

43 306 237	64 168 931
(11 315 486)	(20 954 435)
(14 276 926)	91 741
17 713 825	43 306 237

Operating account

Capital Expenditure

38 815 157	46 694 848
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18) Cash generated by operations

(Deficit)/Surplus for the year
Adjustments for :

Previous year's operating transactions

Appropriations charged against income :

- Provisions and Reserves
- Capital Outlay

(11 315 486)	(20 954 435)
(14 276 926)	91 741
28 111 142	44 415 187
(10 704 015)	(2 279 661)
38 815 157	46 694 848
2 518 730	23 552 493

AMOUNT TO CASH FLOW STATEMENT

19) Investment income :

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

- Interest received on external investments

AMOUNT TO CASH FLOW STATEMENT

2006/2007	2005/2006
1 210 604	-
1 210 604	-

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

	2006/2007	2005/2006
20) (Increase)/Decrease in working capital		
(Increase)/Decrease in Debtors	12 378 098	985 433
Increase/(Decrease) in Creditors	4 303 295	472 126
AMOUNT TO CASH FLOW STATEMENT	16 681 393	1 457 559
21) Decrease/(Increase) in cash on hand		
- Cash Balance: beginning of the year	2 384 607	10 879 281
- Less: Cash Balance: end of the year	(210 825)	2 384 607
AMOUNT TO CASH FLOW STATEMENT	2 595 432	8 494 674
22) Decrease/(increase) in cash investments comprises :		
- Investments realised	15 808 998	13 190 122
AMOUNT TO CASH FLOW STATEMENT	15 808 998	13 190 122
23) Contingent Liabilities and Contractual Obligations		
As at Balance Sheet date, no known litigations are in progress against the Nyandeni Local Municipality.		
24) Capital Commitments		
Commitments in respect of capital expenditure	29 921 843	25 910 379
- Approved and contracted for	29 921 843	8 558 379
- Approved but not yet contracted for	-	17 352 000
This expenditure will be financed from:		
-Internal sources	29 921 843	25 910 379
25) Revolving Fund		
Outstanding Advances to Borrowing Services		
Accumulated funds	172 547	162 332
Less:	172 547	162 332
Temporary Advances	-	-
Debtors	-	-
External Investments	172 547	162 332
(refer to appendix A and B for more detail)	-	-
26) Contributions to Organised Local Government		
Contributions to organised local government as required by section 125(1)(b) of the Municipal Finance Management Act	79 784	
Outstanding contributions	-	

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2007

27) *Fruitless and wasteful expenditure*

2006/2007

2005/2006

Asset register

299 820

28) *Irregular expenditure*

Mbalisweni Road Construction

3 237 272

Sobs Tading - fumigations and cleaning

398 303

Afrizone Protection Services and Golden Security

574 763

Contract not signed for access road construction

Bahucula Access Road

1 324 376

Mgcibe Access Road

3 610 829

Misty Mount -Mhmlabeni Access Road

202 950

Lanzibe Access Road

3 601 678

Nqwera Sikhaweni Access Road

2 494 648

Nalungeni Access Road

2 238 309

Namolweni Access Road

190 693

Consultants appointment without the required competitive bidding process followed

Loyiso Consulting

281 267

Ilitha Development Consulting

415 453

Fenza Africa

127 481

BKS Pty (Ltd)

97 638

RVS Consulting

67 859

Appendix A

STATUTORY FUNDS, RESERVES AND TRUST FUNDS

	Balance at 2006-06-30	Contributions during the Year	Interest on Investments	Other Income	Expenditure during the Year	Balance at 2007-06-30
ACCUMULATED FUNDS						
Revolving Fund	162 333	-	10 214	307 800	-	480 347
Employers Leave Fund	10 366	-	1 089	-	-	11 455
Total	172 699	-	11 303	307 800	-	491 801
RESERVES						
CMIP	-	-	-	-	-	-
MSP	470 201	-	-	-	(470 201)	-
Free Basic Service	6 976 751	-	392 227	-	(5 509 062)	1 859 917
Capital Infrastructure	13 378 853	-	754 869	-	(4 032 553)	10 101 169
Total	20 825 805	-	1 147 096	-	(10 011 815)	11 961 086
TRUST FUNDS						
Integrated Development Plan	201 133	-	12 656	-	-	213 789
TRC	1 021 706	-	39 550	-	(1 000 000)	61 256
Total	1 222 838	-	52 206	-	(1 000 000)	275 045
	22 221 342	-	1 210 604	307 800	(11 011 815)	12 727 932

Appendix B

EXTERNAL LOANS AND INTERNAL ADVANCES

EXTERNAL LOANS	Balance 2006-06-30	Received during the Year	Redeemed, written off during the Year	Balance 2007-06-30
Local Authorities Loan Fund	-	-	-	-
PDC	-	-	-	-
	-	-	-	-

INTERNAL ADVANCES TO BORROWING SERVICES	Balance 2006-06-30	Received during the Year	Redeemed, written off during the Year	Balance 2007-06-30
Revolving Fund	-	-	-	-
Capital Development Fund	-	-	-	-
	-	-	-	-

Appendix C

ANALYSIS OF FIXED ASSETS

Expended 2006	SERVICE	Budget 2007	Balance at 2006-06-30	Expended during the Year	Written off, transferred, redeemed or disposed of during the Year	Balance at 2007-06-30
R		R	R	R	R	R
46 019 939	RATE AND GENERAL SERVICES	52 745 972	113 621 525	39 809 709	1 577 427	151 853 807
7 594 544	Land and Buildings	-	20 777 671	1 509 220	-	22 286 890
3 622 342	Plant and Equipment	3 000 000	8 497 376	24 441	-	8 521 817
1 477 636	Computer equipment	175 000	1 685 452	241 239	-	1 926 691
44 086	Office Equipment	-	475 610	-	475 610	-
23 792 828	Road Construction	34 285 972	64 704 444	23 105 071	-	87 809 514
2 479 714	Infrastructural Development	-	3 606 116	-	-	3 606 116
1 101 817	Furniture and Fixtures	-	1 101 817	-	1 101 817	-
0	Furniture and Equipment	445 000	-	2 091 959	-	2 091 959
2 393 226	LED Projects	-	5 228 932	-	-	5 228 932
1 709 076	Township Development	750 000	2 674 635	-	-	2 674 635
-	Taxi Shelter	1 500 000	-	917 782	-	917 782
1 082 812	Electricity Installations	-	2 963 122	-	-	2 963 122
721 858	Motor Vehicles	1 020 000	1 906 351	1 423 320	-	3 329 671
-	Upgrading of Financial man system	560 000	-	608 432	-	608 432
-	Farming	5 500 000	-	3 042 907	-	3 042 907
-	Housing Plan	100 000	-	3 900 555	-	3 900 555
-	Low Cost Housing	-	-	10 884	-	10 884
-	Hawker Stalls	300 000	-	34 212	-	34 212
-	Pre Schools	600 000	-	997 706	-	997 706
-	Arts and Craft Centre	500 000	-	215 689	-	215 689
-	Tools	10 000	-	71 870	-	71 870
-	Waste Management	500 000	-	188 337	-	188 337
-	Sanitation Infrastructure	1 500 000	-	993 500	-	993 500
-	Servicing of 120 sites	2 000 000	-	432 586	-	432 586
100 946	SUBSIDISED SERVICES	1 000 000	100 946	531 577	-	632 523
100 946	Cemeteries	400 000	100 946	268 365	-	369 311
-	Pounds	400 000	-	249 163	-	249 163
-	Abattoir	200 000	-	14 049	-	14 049
573 963	TRADING SERVICES	4 100 000	2 973 802	51 298	-	3 025 100
573 963	Water	4 100 000	2 973 802	51 298	-	3 025 100
46 694 848	TOTAL FIXED ASSETS	57 845 972	116 696 273	40 392 584	1 577 427	155 511 430
	LESS : LOANS REDEEMED AND OTHER CAPITAL RECEIPTS		116 696 273	39 249 919	434 762	155 511 430
-	Loans Redeemed		434 762	-	434 762	-
-	Contributions from Current Income		2 006 048	39 249 919	-	41 255 967
-	Capital Debtors		-	-	-	-
46 694 848	Grants and Subsidies		114 255 463	-	-	114 255 463
-	NET FIXED ASSETS		-	1 142 665	1 142 665	-

Appendix D

ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2007

<i>Actual '2006</i> R		<i>Actual '2007</i> R	<i>Budget '2007</i> R
INCOME			
44 330 308	Grants and Subsidies	60 975 927	62 089 959
40 581 747	- Central Government	58 860 952	59 115 999
3 496 732	- Provincial Government	2 114 974	2 973 960
251 829	- District Municipality	-	-
4 179 517	Operating Income	13 871 645	55 303 930
1 063 546	- Assessment Rates	1 101 088	-
2 886 562	- Interest Received	1 235 399	8 305 630
-	- Sanitation Fees	-	-
44 740	- Refuse	42 781	50 000
184 669	- Other Income	11 492 377	46 948 300
48 509 825	TOTAL INCOME	74 847 572	117 393 889
GROSS EXPENDITURE			
69 555 149	Operational Expenditure	86 163 057	115 725 896
22 860 301	- Salaries, Wages and Allowances	21 918 928	32 626 128
11 886 424	- General Expenses	22 714 274	21 003 691
10 879 402	- Repairs and Maintenance	2 714 698	4 220 000
94 475	- Capital Charges	-	-
-	- Contribution to Fixed Assets	38 815 157	57 845 972
46 694 848	- Contributions	-	30 105
-	- LESS : Amounts charged out	-	-
69 555 149	NET EXPENDITURE	86 163 057	115 725 896